



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee March 7, 2017

Senate Bill No. 925 An Act Concerning the Cost of Prescription Drugs and Value-Based Insurance Design.

Committee Chairs, Co-Chairs, Ranking Member, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit written testimony on **Senate Bill No. 925 An Act Concerning the Cost of Prescription Drugs and Value-Based Insurance Design.**

While well-intended, this legislation, if enacted, may have unintended consequences. To begin with, the term value-based is not well-defined and language addressing reduced cost-sharing is circular and unclear.

Some carriers may already offer wellness programs that might fall into what is intended to be a value-based design. Preventive services already are mandated and must be covered with no cost-sharing in-network. Any reductions in cost-sharing must also meet federal non-discrimination rules and mental health parity requirements. The Insurance Department reviews all forms for prior approval and such review includes a review for non-discrimination and mental health parity.

The requirement that all plans offered or renewed on and after January 1, 2018 must incorporate a value-based insurance design also raises concern. Both state law and the Affordable Care Act (ACA) require guaranteed renewability of plans. If a carrier cannot renew existing plans and is required to change all plans, this would potentially trigger a market withdrawal for that carrier. Such carrier will not be able to market new plans for five years resulting in a major market disruption in Connecticut and harm our consumers.

In order to administer this legislation, the Department would be tasked with collecting and reviewing data of drug manufacturers and wholesalers. These are new and costly procedures out of the Department's area of expertise. The Department oversees the insurance industry, not drug manufacturers, and has no expertise on how prescription drugs costs are developed or set. The Department would require approximately \$134,000 in additional funding to complete the requirements of the legislation.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on S.B. 925.

About the Connecticut Insurance Department: The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$7.45 to the state in revenues. Each year, the Department returns more than \$215 million in assessments, fees and penalties to the state's General Fund.